(Washington, D.C.) Congressman Tim Ryan (OH-17) co-sponsored legislation today--the Bailout Bonus Tax Bracket Act of 2009, introduced by Congressman Steve Israel—that would fully recover the $165 million dollars in taxpayer funds that American Insurance Group (AIG) intends to pay out to executives in the form of bonuses.

“There is absolutely no way that AIG executives deserve to receive their bonuses while I’ve got constituents back in my district who are losing their jobs and can’t afford to put food on the table,” said Congressman Tim Ryan. “They can talk all day about how that money is due to them because it’s in their contract; tell that to the Amweld retiree in Warren, Ohio who just had his healthcare benefits stripped and didn’t even receive so much as a written notification."

Currently, the IRS withholds 25 percent from bonuses less than $1 million and 35 percent for bonuses more than $1 million dollars. Rep. Israel’s proposal, The Bailout Bonus Tax Bracket Act of 2009, would tax bonuses over $100,000 disbursed to employees of companies receiving TARP funds. Because bonuses are treated as taxable income, this bill applies a separate “Bonus Bailout” rate to the TARP bonus. Bonuses would be taxed beginning with those disbursed this year.

For example, if an AIG employee’s taxable income is $750,000 which includes the $150,000 AIG bonus received this year, that employee will pay the top marginal rate on $500,000 of personal income, and then the “Bonus Bailout” tax rate of 100% on the $150,000 TARP bonus.

"It boggles my mind how these executives can be so unaware of what the American people are going through. This new tax provision is a wakeup call that the days of arrogance and greed on Wall Street are coming to an end, and we will use any means necessary," said Congressman Ryan.